

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

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In re:

PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

(Jointly Administered)

Debtor.<sup>1</sup>

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**SUMMARY SHEET ACCOMPANYING SEVENTH INTERIM FEE APPLICATION  
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTORS,  
THE COMMONWEALTH OF PUERTO RICO, FOR THE PERIOD  
FROM JUNE 1, 2019 THROUGH JUNE 30, 2019**

Name of Applicant:

McKinsey & Company, Inc. Washington D.C.  
(“McKinsey Washington”)

Authorized to Provide Services to:

The Financial Oversight and Management Board for  
Puerto Rico, as Representative of the Debtors Pursuant  
to PROMESA Section 315(b)

Period for which Compensation  
and Reimbursement is Sought:

June 1, 2019 through June 30, 2019

Monthly Fee Statements Subject  
to Seventh Interim Fee Request:

Eighteenth Monthly Fee Statement  
for Compensation for Services Rendered  
From June 1, 2019 through June 30, 2019

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Commonwealth Title III Support dated September 5, 2019

Total Fees Requested for Seventh Interim Compensation Period: **\$1,417,500.00**

Total expenses requested for Seventh Interim Compensation Period: **\$0.00<sup>2</sup>**

Total fees and expenses requested for Seventh Interim Compensation Period: **\$1,417,500.00**

Total requested Seventh Interim Compensation Period fees and expenses paid to date: **\$1,138,124.08**

Total fees and expenses subject to an Objection: **\$0.00**

Type of Application: **Seventh Interim Fee Application:  
Commonwealth Title III Support**

Deadline for parties other than notice parties to file objections: **August 4, 2020**

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<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

(Jointly Administered)

Debtor.<sup>3</sup>

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**SEVENTH INTERIM FEE APPLICATION OF MCKINSEY & COMPANY, INC.  
WASHINGTON D.C. AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL  
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS  
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO, FOR  
THE PERIOD FROM JUNE 1, 2019 THROUGH JUNE 30, 2019**

McKinsey & Company, Inc. Washington D.C. ("McKinsey Washington"), strategic consultants to the Debtors in the above-captioned cases, respectfully represents:

**INTRODUCTION**

1. By this seventh interim fee application (the "Seventh Interim Fee Application"), McKinsey Washington seeks the allowance and payment of compensation for professional services related

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<sup>3</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

to Commonwealth Title III support rendered pursuant to the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 3269] (the “Interim Compensation Order”), the applicable provisions of Title 11 of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”) and Appendix B of the *U.S. Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 by Attorneys in Large Chapter 11 Cases Effective as of November 1, 2013* (the “U.S. Trustee Guidelines,” and together with the Interim Compensation Order, the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the “Code and Rules”). Pursuant to the Code and Rules, the Certification of Thomas Dohrmann, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit A.

2. By this Seventh Interim Fee Application, McKinsey Washington seeks allowance and payment of compensation for professional services performed by McKinsey Washington for the period from June 1, 2019 through June 30, 2019 (the “Compensation Period”) pursuant to the “Commonwealth Title III support” Scope of Work set forth in the Consulting Agreement, as defined in paragraph 10 and attached hereto as Exhibit B, in the aggregate amount of \$1,417,500.00, representing 100% of fees incurred during the Compensation Period. McKinsey Washington submits that allowance and payment of this amount are fully warranted given the actual and necessary services rendered to the Debtors by McKinsey Washington, as described in this Seventh Interim Fee Application.

### **BACKGROUND AND JURISDICTION**

3. On May 3, 2017 (the “Petition Date”), the Commonwealth of Puerto Rico (as herein defined), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), filed a petition (the “Petition”) with the United States District Court for the District of Puerto Rico (the “Court”) under Title III of PROMESA.
4. On May 5, 2017, the Puerto Rico Sales Tax Financing Corporation (“COFINA,” and together with the Commonwealth (the “Commonwealth”) of Puerto Rico, the “Debtors”), by and through the Oversight Board, as COFINA’s representative pursuant to PROMESA section 315(b), filed a petition (“COFINA’s Petition,” and together with the Commonwealth’s Petition, the “Petitions”) with the Court under Title III of PROMESA. The filings of the Petitions constitute orders for relief under Title III of PROMESA.
5. On May 9, 2017, the Debtor filed a motion seeking the joint administration of the Title III cases (the “Title III Cases”) for procedural purposes only, pursuant to PROMESA section 304(g) and Bankruptcy Rule 1015, made applicable to these Title III Cases by PROMESA section 310. On June 1, 2017, the Court ordered that the cases be consolidated for procedural purposes and be jointly administered.
6. On June 15, 2017, an Official Committee of Unsecured Creditors and an Official Committee of Retirees were appointed in the Title III cases by the United States Trustee for Region 21.
7. On November 8, 2017, the Court entered *the First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which directs that professionals in the Title III Cases be paid interim compensation and outlines the procedures by

which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”

8. On June 6, 2018, the Court entered *the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which amended certain provisions regarding the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”
9. This Court has subject matter jurisdiction over this matter pursuant to PROMESA section 306(a). Venue is proper in this district pursuant to PROMESA section 307(a).

#### **THE RETENTION OF MCKINSEY WASHINGTON**

10. On or about July 3, 2017, McKinsey Washington and the Oversight Board entered into a contract setting forth consulting services McKinsey Washington would provide in support of the Title III litigation (First amendment effective November 1, 2017, Second amendment effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit B. The scope of work under the Consulting Agreement is divided into three (3) distinct workstreams: (i) Commonwealth Title III Support; (ii) Title III Support for PREPA; and (iii) Title III Support for HTA. This Seventh Interim Fee Application concerns the first workstream, namely Commonwealth Title III Support.<sup>4</sup>
11. Consistent with how McKinsey Washington serves clients and prices its engagements both for the public and private sectors, McKinsey Washington’s fee structure under the Consulting

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<sup>4</sup> McKinsey Washington is simultaneously serving separate Seventh Interim Fee Applications for compensation for services rendered pursuant to the other two (2) workstreams under the Consulting Agreement.

Agreement for services related to Commonwealth Title III support was constructed on a monthly firm fixed price basis, as set forth below for the Compensation Period:

Period of Performance	Fee
June 2019	\$1,417,500.00

12. These monthly rates are similar to rates that McKinsey Washington charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation in a competitive market.
13. There is no agreement or understanding between McKinsey Washington and any other nonaffiliated person for the sharing of compensation to be received for services rendered in the Title III Cases.
14. All services performed by McKinsey Washington for which fees are requested herein were performed or incurred for and on behalf of the Debtor and were not for any other person or entity.

**SUMMARY DESCRIPTION OF SERVICES PERFORMED –  
COMMONWEALTH TITLE III SUPPORT**

15. Set forth below is a brief summary of the principal matters on which McKinsey Washington provided services in connection with Commonwealth Title III support during the Compensation Period, along with a list of the McKinsey Washington professionals who performed services during that period. In addition to this summary, comprehensive details setting forth the day-to-day activities performed and deliverables provided by McKinsey Washington professionals are included in McKinsey Washington's Monthly Fee Statements (McKinsey Washington's Eighteenth Monthly Fee Statement for Compensation For Services Rendered from June 1, 2019

through June 30, 2019: Commonwealth Title III Support (the “Eighteenth Monthly Fee Statement: Commonwealth Title III Support”) attached hereto as Exhibit C.

***June 2019:***

McKinsey Washington’s scope of service for the month of June included supporting the Fiscal Oversight and Management Board in monitoring relevant new information from various stakeholders and analyzing its potential impact on Fiscal Plan projections, working with co-advisors in the FY20 budget certification process, and continuing work on the Best Interests analysis as part of the Plan of Adjustment process.

As the intended date of certification for the FY20 budget approached, the team provided the Board and co-advisor EY with data and analysis needed to create the budget (including review of the savings targets for specific agencies). The team also provided analysis of the impact of budget decisions on the Fiscal Plan to the Board staff. Moreover, the team helped FOMB staff and co-advisors to understand how the agency efficiency measures and baseline forecast updates resulted in changes between the FY19 and FY20 budgets. Throughout the process, the McKinsey team continually checked various budget outputs for Fiscal Plan compliance, ensuring harmony between these two products.

The team also monitored for and analyzed the Fiscal Plan impact of new data available from various stakeholders, including agency expenditures data that surfaced during the FY20 budget process, June 2019 General Fund revenues data from Hacienda, and disaster relief funds reporting from the federal government. The team supported FOMB staff in setting up a regular data reporting and meeting cadence with the Government agencies responsible for managing disaster relief funds (COR3 and PR Department of Housing).

As part of the task to support the restructuring process, the Best Interests analysis underwent



a series of revisions to reflect the most updated projections from the 2019 Certified Fiscal Plan and the latest understanding of various inputs as a result of updated legal guidance. The team completed several updates to the analysis and worked on drafting an overview of the methodology and outputs.

The team also provided ad hoc assistance to the Board and Board staff throughout the period. To assist with press inquiries, the team ran analyses to provide data points to Board staff. The team provided analysis of Fiscal Plan impact of Government legislation (e.g., Law 29) and reviewed FY19 budget requests for compliance with the Fiscal Plan. Additionally, the team responded to the Board's request for a benchmarking analysis of Puerto Rico's civil service wages and benefits.

The McKinsey Washington personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues, and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring support);

Todd Wintner (Associate Partner – part time – content director on healthcare and education);

Sara O'Rourke (Associate Partner – full time – Fiscal Plan and integrating engagement director);

Anne-Marie Frassica (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan);

Rafael Rivera (Engagement Manager – full time – focused on supporting the fiscal plan and restructuring processes);

Laura Johnson (Associate – full time – focused energy efficiencies and budget);

Tanner Snider (Analyst – full time – focused on rightsizing and budget);

Akshay Gupta (Analyst – full time – focused on DRF, macro, and revenues);

Erik Roberts (Analyst – full time – focused on restructuring activities and Fiscal Plan expenditures); and

Michael Granados (Business Analyst – full time – focused on Fiscal Plan revenue forecasts).

The core activities and deliverables related to the Commonwealth Title III support during June 2019 included:

- Supported the Board and co-advisors in the creation of the FY20 Budget
  - Aided co-advisors in budget certification process by providing Agency Efficiency data and ensuring the budget's Fiscal Plan compliance
  - Collaborated with FOMB staff and co-advisors to assess differences between FY19 and FY20 budgets
  - Reviewed the rightsizing model inputs in response to budgetary changes identified through the FY20 budget certification process
- Evaluated potential Fiscal Plan impact and compliance of new data and information from agencies and co-advisors
  - Analyzed most recent revenue, macroeconomic, and disaster relief funding data alongside Board macroeconomists Andy Wolfe and Ricardo Fuentes

- Collaborated with ASES representatives to better understand certain Federal Fund disbursements
- Analyzed implications of latest draft pensions agreement with co-advisors
- Assessed Fiscal Plan compliance and impact of Act 29
- Compared Corporate Income Tax, Personal Income Tax, Sales and Use Tax, Motor Vehicle Tax, and Act 154 Compared Corporate Income Tax projections versus latest government actuals
- Evaluated CRIM property tax collections distributions for GO payments in FY17 and FY18 for accuracy
- Analyzed end-of-year agency reapportionment and SRF budget increase requests to understand Fiscal Plan impact
- Compared disaster relief funding in HTA, PREPA, and PRASA fiscal plans to ensure compliance with 2019 Certified Fiscal Plan
- Updated and refined the Best Interests analysis and related outputs
  - Updated Best Interests analysis based on revenues and expenditures from 2019 Certified Fiscal Plan
  - Refined assumptions in the Best Interests analysis model and discussed proposed structure of the output for disclosure statement with advisors
  - Began drafting various sections of Best Interests analysis
- Supported overall Plan of Adjustment preparation process

- Drafted materials to outline history of the Fiscal Plan, a section that will be part of the pending disclosure statement
- Drafted materials to outline external risks related to projections of revenues and expenses in the Fiscal Plan
- Supported the Board in developing perspectives in response to *ad hoc* requests and other various tasks
  - Responded to FOMB staff requests for information ahead of press and Congressional commitments
  - Developed Puerto Rico civil servant compensation benchmarking analysis at the request of FOMB staff
  - Facilitated working sessions with FOMB staff to review Fiscal Plan outputs

### **SUMMARY OF PROFESSIONAL COMPENSATION REQUESTED**

#### **Interim Fee Applications**

16. On December 15, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its First Interim Fee Application, covering the compensation period July 1, 2017 through September 30, 2017 [Docket No. 2073].
17. On March 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Second Interim Fee Application, covering the period October 1, 2017 through January 31, 2018 [Docket No. 2756].

18. On July 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Third Interim Fee Application, covering the period February 1, 2018 through May 31, 2018 [Docket No. 3580].
19. On October 31, 2018, pursuant to the *Fee Examiner's Third Interim Report on Professional Fees and Expenses (February 1, 2018 – May 31, 2018)*, the Fee Examiner recommended full approval of the First, Second and Third Interim Fee Applications filed by McKinsey Washington [Docket No. 4126].
20. On November 9, 2018, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the First (May 3 through September 30, 2017), Second (October 1, 2017 through January 31, 2018), and Third (February 1 through May 31, 2018) Interim Compensation Periods* (the "Omnibus Fee Order"), this Court granted McKinsey Washington's First, Second and Third Interim Fee Applications, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for each of those compensation periods, as set forth on Exhibit A to the Omnibus Fee Order [Docket No. 4200].
21. On November 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Fourth Interim Fee Application, covering the period June 1, 2018 through September 30, 2018 [Docket No. 4333].
22. On March 14, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Fourth Compensation Period (June 12, 2018 through September 30, 2018)* (the "Second Omnibus Fee Order"), this Court granted McKinsey Washington's Fourth Interim Fee Application, and authorized the Debtors to pay one hundred (100%) percent of the fees requested

by McKinsey Washington for the compensation period, as set forth on Exhibit A to the Second Omnibus Fee Order [Docket No. 5654].

23. On March 18, 2019, pursuant to the Interim Compensation Order, McKinsey Washington filed its Fifth Interim Fee Application, covering the period October 1, 2018 through January 31, 2019 [Docket No. 5804].

24. On June 26, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Fifth Compensation Period (October 1, 2018 through January 31, 2019)* (the “Third Omnibus Fee Order”), this Court adjourned consideration of McKinsey Washington’s Fifth Interim Fee Application.

25. On July 15, 2019, pursuant to the Interim Compensation Order, McKinsey Washington filed its Sixth Interim Fee Application, covering the period February 1, 2019 through May 31, 2019.<sup>5</sup>

26. On October 29, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Sixth*

<sup>5</sup> McKinsey Washington’s seven interim fee applications are summarized as follows:

McKinsey Workstream	First Interim Interim Fee Application	Second Interim Fee Application	Third Interim Fee Application	Fourth Interim Fee Application	Fifth Interim Fee Application	Sixth Interim Fee Application	Seventh Interim Fee Application
Commonwealth	\$1,480,000.00	\$6,550,000.00	\$7,237,000.001 (understated by \$500.00)	\$5,670,000.00	\$5,670,000.00	\$5,670,000.00	\$1,417,500.00
PREPA	\$1,480,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00	\$ 740,000.00
HTA	\$2,160,000.00	\$1,025,000.00	\$1,585,000.00	\$1,240,000.00	\$1,240,000.00	\$1,240,000.00	\$ 310,000.00
<b>Total</b>	<b>\$5,120,000.00</b>	<b>\$10,535,000.00</b>	<b>\$11,782,000.00</b>	<b>\$9,870,000.00</b>	<b>\$9,870,000.00</b>	<b>\$9,870,000.00</b>	<b>\$2,467,500.00</b>
<b>Total requested amount for all Workstreams for Seven Interim Fee Periods: \$59,514,500.00</b>							

*Compensation Period (February 1, 2019 through May 31, 2029)* (the “Fourth Omnibus Fee Order”), this Court granted McKinsey Washington’s Fifth and Sixth Interim Fee Applications, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for the compensation periods, as set forth on Exhibit D to the Fourth Omnibus Fee Order [Docket No. 9046].

### **Monthly Fee Statements**

27. On September 5, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Eighteenth Monthly Fee Statement for services rendered from June 1, 2019 through June 30, 2019 under the Commonwealth Title III Support workstream (the “Eighteenth Monthly Fee Period”).
28. As reflected in the Eighteenth Monthly Fee Statement: Commonwealth Title III Support, during the Eighteenth Monthly Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.
29. To date, McKinsey Washington has been paid a total of \$31,690,980.44<sup>6</sup> for services rendered under the Commonwealth Title III Support workstream. McKinsey Washington has received \$1,138,124.08 for services rendered during the Compensation Period.
30. Pursuant to this Seventh Interim Fee Application, McKinsey Washington seeks an interim allowance of \$1,417,500.00, representing one hundred (100%) percent of its total fees incurred during the Compensation Period, and payment of the outstanding amount of \$141,750.00.

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<sup>6</sup> The amounts paid are “net” of any amounts withheld for tax purposes or the statutory contribution of 1.5% of McKinsey Washington’s professional fees to be deposited in the General Fund.

**THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

31. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. Section 330 of the Bankruptcy Code provides that a court may award a professional "reasonable compensation for actual necessary services rendered ... and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded ..., the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including-

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title 11 U.S.C. § 330(a)(3).

32. As demonstrated by this Seventh Interim Fee Application and the exhibits attached hereto, the services that McKinsey Washington rendered during the Compensation Period were reasonable, necessary and appropriate. McKinsey Washington expended its time economically and without



unnecessary duplication of effort. In addition, the work conducted was carefully assigned to appropriate professionals, according to the experience and level of knowledge required for each particular task. Accordingly, approval of the compensation sought herein is warranted.

**CONCLUSION**

WHEREFORE, McKinsey Washington respectfully requests that the Court enter an order awarding McKinsey Washington an interim allowance for the Compensation Period in the total amount of \$1,417,500.00, directing the Debtor to pay McKinsey Washington such outstanding interim fees in the amount of \$141,750.00, and granting such other relief as this Court deems just and proper.

Dated: July 21, 2020  
Washington, DC

McKinsey & Company, Inc. Washington DC

/s/ Thomas Dohrmann  
Thomas Dohrmann, Partner  
McKinsey & Company, Inc. Washington DC  
1200 19<sup>th</sup> Street NW Suite 1100  
Washington DC 20036  
Telephone: (202) 662 0078  
Email: Thomas\_Dohrmann@mckinsey.com

*Strategic Consultant to the Debtor*

**Certificate of Service**

1. Notice of this Seventh Interim Fee Application has been or will be provided by overnight

delivery or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. ([mbienenstock@proskauer.com](mailto:mbienenstock@proskauer.com)) and Ehud Barak, Esq. ([ebarak@proskauer.com](mailto:ebarak@proskauer.com)), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. ([ppossinger@proskauer.com](mailto:ppossinger@proskauer.com));
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. ([hermann.bauer@oneillborges.com](mailto:hermann.bauer@oneillborges.com));
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. ([jrapisardi@omm.com](mailto:jrapisardi@omm.com)), Suzzanne Uhland, Esq. ([suhland@omm.com](mailto:suhland@omm.com)), and Diana M. Perez, Esq. ([dperez@omm.com](mailto:dperez@omm.com));
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. ([lmardini@mpmlawpr.com](mailto:lmardini@mpmlawpr.com)) and Carolina Velaz-Rivero Esq. ([cvelaz@mpmlawpr.com](mailto:cvelaz@mpmlawpr.com));
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. ([lucdespins@paulhastings.com](mailto:lucdespins@paulhastings.com));
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. ([jcasillas@cstlawpr.com](mailto:jcasillas@cstlawpr.com)) and Alberto J.E. Añeses Negrón, Esq. ([aaneses@cstlawpr.com](mailto:aaneses@cstlawpr.com));
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq.

(rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. ([mroot@jenner.com](mailto:mroot@jenner.com));

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. ([ajb@bennazar.org](mailto:ajb@bennazar.org));
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting ([Reylam.Guerra@hacienda.pr.gov](mailto:Reylam.Guerra@hacienda.pr.gov)); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting ([Rodriguez.Omar@hacienda.pr.gov](mailto:Rodriguez.Omar@hacienda.pr.gov)); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy ([angel.pantoja@hacienda.pr.gov](mailto:angel.pantoja@hacienda.pr.gov)); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy ([francisco.pares@hacienda.pr.gov](mailto:francisco.pares@hacienda.pr.gov)); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury ([Francisco.Pena@hacienda.pr.gov](mailto:Francisco.Pena@hacienda.pr.gov));
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo ([elugo@edgelegalpr.com](mailto:elugo@edgelegalpr.com)); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler ([BWilliamson@gklaw.com](mailto:BWilliamson@gklaw.com); [KStadler@gklaw.com](mailto:KStadler@gklaw.com)).

## **EXHIBIT A**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

(Jointly Administered)

Debtors.

-----X

**CERTIFICATION OF THOMAS DOHRMANN IN SUPPORT OF SEVENTH INTERIM  
FEE APPLICATION OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTORS,  
THE COMMONWEALTH OF PUERTO RICO FOR THE PERIOD  
FROM JUNE 1, 2019 THROUGH JUNE 30, 2019**

I, Thomas Dohrmann, certify as follows:

1. I am a Partner in the firm of McKinsey & Company, Inc. Washington DC (“McKinsey Washington”). I submit this certification with respect to the seventh interim fee application of McKinsey Washington as consulting services provider in the above-captioned case (the “Seventh Interim Fee Application”) for the allowance of compensation for professional services rendered during the relevant application period.
2. I make this certification in accordance with the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on June 6, 2018 [Docket No. 3269] (the “Interim Compensation Order”).
3. In connection therewith, I hereby certify that:
  - (a) I have read the Seventh Interim Fee Application;
  - (b) To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought in the Seventh Interim Fee Application are in substantial compliance with the Interim Compensation Order and the United States Trustee Guidelines for

Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996; and

- (c) The Debtor, the United States Trustee, the Official Committee of Unsecured Creditors and the Official Committee of Retirees of the Debtor have been provided with a copy of the Seventh Interim Fee Application simultaneously with the filing thereof, and will have at least ten (10) days to review such Seventh Interim Fee Application prior to any objection deadline with respect thereto.

Dated: July 21, 2020  
Washington, DC

/s/ Thomas Dohrmann

Thomas Dohrmann, Partner  
McKinsey & Company, Inc. Washington DC  
1200 19<sup>th</sup> Street NW Suite 1100  
Washington DC 20036  
Telephone: (202) 662 0078  
Email: Thomas\_Dorhmann@mckinsey.com

## **EXHIBIT B**

***PROPRIETARY and CONFIDENTIAL***

CONSULTING AGREEMENT

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. SERVICES. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. COMPENSATION. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. CONFIDENTIALITY. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. INTELLECTUAL PROPERTY. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's



Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

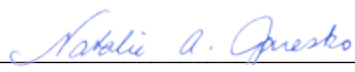
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

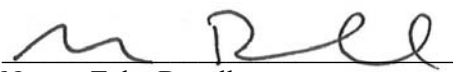
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

  
Name: Natalie A. Jaresko  
Title: Executive Director  
Date: Sept. 12, 2017

  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017

**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.



**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).





**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner

**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance



**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

## **EXHIBIT C**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X  
In re:  
THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,  
  
as representative of  
  
THE COMMONWEALTH OF PUERTO RICO, *et al.*  
  
Debtors.<sup>1</sup>  
-----X

PROMESA  
Title III  
  
No. 17 BK 3283-LTS  
  
(Jointly Administered)

**EIGHTEENTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.  
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS  
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO  
FOR THE PERIOD JUNE 1, 2019 THROUGH JUNE 30, 2019**

Name of Professional: McKinsey & Company, Inc. Washington D.C.  
("McKinsey Washington")  
  
Authorized to Provide Services to: The Financial Oversight and Management Board for  
Puerto Rico, as Representative of the Debtors  
Pursuant to PROMESA Section 315(b)  
  
Period for which compensation  
and reimbursement is sought: June 1, 2019 - June 30, 2019  
  
Amount of compensation sought  
as actual, reasonable and necessary: **\$1,417,500.00**  
  
Amount of expense reimbursement sought  
sought as actual, reasonable and necessary<sup>2</sup>: **\$0.00**  
  
Type of Fee Statement: Eighteenth Monthly Fee Statement:  
Commonwealth Title III Support<sup>3</sup>

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

<sup>3</sup> Notice of this Eighteenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Eighteenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “Debtors” or the “Board”), hereby serves this Eighteenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of June 2019 (the “Fee Period”) pursuant to the “Commonwealth Title III Support” Scope of Work (“Commonwealth Title III Scope of Work”) of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, a Certification of Thomas Dohrmann, a Senior Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Eighteenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Eighteenth Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

**Summary of Services Rendered During the Fee Period**

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Commonwealth Title III Scope of Work.<sup>4</sup>
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice<sup>5</sup> for fees incurred during the Fee Period pursuant to the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

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<sup>4</sup> McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

<sup>5</sup> The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%). McKinsey Washington has calculated the proportion of work performed in Puerto Rico in a manner that is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

#### **Representations**

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Eighteenth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

#### **Notice**

10. Notice of this Eighteenth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
  - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison



- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
  - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
  - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
  - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
  - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
  - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aaneses@cstlawpr.com);
  - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteeg@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
  - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
  - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting

(Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: September 5, 2019  
McKinsey & Company, Inc. Washington DC  
Washington DC

s/ Thomas Dohrmann  
Thomas Dohrmann  
Senior Partner  
McKinsey & Company, Inc. Washington DC  
1200 19th St NW #1000  
Washington, DC 20036  
Telephone: (202) 662-3100  
Email: Thomas\_Dohrmann@McKinsey.com  
*Strategic Consultant to the Debtors*

**EXHIBIT A**

***Consulting Agreement***

***PROPRIETARY and CONFIDENTIAL***

**CONSULTING AGREEMENT**

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."


10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

\_\_\_\_\_  
Name:  
Title:  
Date:

  
\_\_\_\_\_  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017

**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.



**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

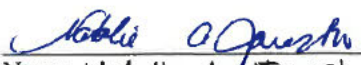
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.

The Financial Oversight and Management Board  
For Puerto Rico

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

McKinsey & Company, Inc., Washington D.C.

  
Name: Tyler Duval

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan



- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**



December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner

**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.



**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**EXHIBIT B**

***Certification of McKinsey Washington Senior Partner  
Thomas Dohrmann***



UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X  
In re: PROMESA  
Title III  
THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,  
as representative of No. 17 BK 3283-LTS  
THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)  
Debtors.  
-----X

**CERTIFICATION OF THOMAS DOHRMANN**

I, Thomas Dohrmann, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have been involved in, and managed the provision of professional services rendered by McKinsey Washington as strategic consultant to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors and am generally familiar with the work performed by the Partners, managers, associates, and other persons in the Firm;
3. The facts set forth in the foregoing Eighteenth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Eighteenth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
  - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;

- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
- iii. The amount of this invoice is reasonable;
- iv. The services were rendered, and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: September 5, 2019  
Washington, DC

*s/Thomas Dohrmann*  
Thomas Dohrmann  
Senior Partner  
McKinsey & Company, Inc. Washington DC

**EXHIBIT C**

***Certification of FOMB Executive Director Natalie Jaresko***

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
et al.

(Jointly Administered)

Debtors.

-----X

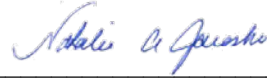
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S  
MONTHLY FEE STATEMENTS FOR THE MONTH OF JUNE 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in June 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of June 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: September 3, 2019

A handwritten signature in blue ink, appearing to read "Natalie Jaresko", is positioned above a horizontal line.

Natalie Jaresko, Executive Director  
The Financial Oversight and  
Management Board For Puerto Rico

## **EXHIBIT D**

### **Title III Support for Commonwealth**

#### **June 2019**

##### **Summary of Work**

McKinsey Washington's scope of service for the month of June included supporting the Fiscal Oversight and Management Board in monitoring relevant new information from various stakeholders and analyzing its potential impact on Fiscal Plan projections, working with co-advisors in the FY20 budget certification process, and continuing work on the Best Interests analysis as part of the Plan of Adjustment process.

As the intended date of certification for the FY20 budget approached, the team provided the Board and co-advisor EY with data and analysis needed to create the budget (including review of the savings targets for specific agencies). The team also provided analysis of the impact of budget decisions on the Fiscal Plan to the Board staff. Moreover, the team helped FOMB staff and co-advisors to understand how the agency efficiency measures and baseline forecast updates resulted in changes between the FY19 and FY20 budgets. Throughout the process, the McKinsey team continually checked various budget outputs for Fiscal Plan compliance, ensuring harmony between these two products.

The team also monitored for and analyzed the Fiscal Plan impact of new data available from various stakeholders, including agency expenditures data that surfaced during the FY20 budget process, June 2019 General Fund revenues data from Hacienda, and disaster relief funds reporting from the federal government. The team supported FOMB staff in setting up a regular data reporting and meeting cadence with the Government agencies responsible for managing disaster relief funds (COR3 and PR Department of Housing).

As part of the task to support the restructuring process, the Best Interests analysis underwent a series of revisions to reflect the most updated projections from the 2019 Certified Fiscal Plan and the latest understanding of various inputs as a result of updated legal guidance. The team completed several updates to the analysis and worked on drafting an overview of the methodology and outputs.

The team also provided ad hoc assistance to the Board and Board staff throughout the period. To assist with press inquiries, the team ran analyses to provide data points to Board staff. The team provided analysis of Fiscal Plan impact of Government legislation (e.g., Law 29) and reviewed FY19 budget requests for compliance with the Fiscal Plan. Additionally, the team responded to the Board's request for a benchmarking analysis of Puerto Rico's civil service wages and benefits.

##### **McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable**

- Supported the Board and co-advisors in the creation of the FY20 Budget
  - Aided co-advisors in budget certification process by providing Agency Efficiency data and ensuring the budget's Fiscal Plan compliance

- Collaborated with FOMB staff and co-advisors to assess differences between FY19 and FY20 budgets
- Reviewed the rightsizing model inputs in response to budgetary changes identified through the FY20 budget certification process
- Evaluated potential Fiscal Plan impact and compliance of new data and information from agencies and co-advisors
  - Analyzed most recent revenue, macroeconomic, and disaster relief funding data alongside Board macroeconomists Andy Wolfe and Ricardo Fuentes
  - Collaborated with ASES representatives to better understand certain Federal Fund disbursements
  - Analyzed implications of latest draft pensions agreement with co-advisors
  - Assessed Fiscal Plan compliance and impact of Act 29
  - Compared Corporate Income Tax, Personal Income Tax, Sales and Use Tax, Motor Vehicle Tax, and Act 154 Compared Corporate Income Tax projections versus latest government actuals
  - Evaluated CRIM property tax collections distributions for GO payments in FY17 and FY18 for accuracy
  - Analyzed end-of-year agency reapportionment and SRF budget increase requests to understand Fiscal Plan impact
  - Compared disaster relief funding in HTA, PREPA, and PRASA fiscal plans to ensure compliance with 2019 Certified Fiscal Plan
- Updated and refined the Best Interests analysis and related outputs
  - Updated Best Interests analysis based on revenues and expenditures from 2019 Certified Fiscal Plan
  - Refined assumptions in the Best Interests analysis model and discussed proposed structure of the output for disclosure statement with advisors
  - Began drafting various sections of Best Interests analysis
- Supported overall Plan of Adjustment preparation process
  - Drafted materials to outline history of the Fiscal Plan, a section that will be part of the pending disclosure statement
  - Drafted materials to outline external risks related to projections of revenues and expenses in the Fiscal Plan
- Supported the Board in developing perspectives in response to *ad hoc* requests and other various tasks
  - Responded to FOMB staff requests for information ahead of press and Congressional commitments

- Developed Puerto Rico civil servant compensation benchmarking analysis at the request of FOMB staff
- Facilitated working sessions with FOMB staff to review Fiscal Plan outputs

### **McKinsey Washington's Commonwealth Title III Team Detail and Contributions**

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input, and stakeholder management. The working team consisted of 2 full-time Engagement Managers (Anne-Marie Frassica and Rafael Rivera), 1 full-time Associate (Laura Johnson) and 4 full-time Analysts (Tanner Snider, Erik Roberts, Akshay Gupta, and Michael Granados).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
  - Provided overall quality control on team content
  - Responsible for relationships with key stakeholders, including Board, Board staff, and co-advisors
  - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan technical adjustments and implications for FY20 Budget
  - Participated in select sessions regarding Best Interests analysis outputs
  - Provided regular counsel directly to senior leadership team of FOMB on a wide range of topics related to the Fiscal Plan and Implementation
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
  - Participated in meetings with advisors and team working sessions related to the Best Interests analysis
  - Provided quality control on various team workstreams, mostly related to restructuring support
  - Provided strategic leadership in preparation of the responses to the GO Rule 2004 Dispute and other creditor questions and requests
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
  - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan technical adjustments and implications for FY20 Budget
  - Participated in Board meetings and sessions to review technical adjustments for the Commonwealth Fiscal Plan
  - Participated in team working sessions related to the Fiscal Plan and translation into Budget, as well as in sessions related to Best Interests Analysis
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues, and structural reforms)



- Briefed Executive Director and Board on assumptions and output regarding Commonwealth Fiscal Plan
- Provided guidance and subject matter expertise to analyze and integrate latest macroeconomic data into the Fiscal Plan
- Reviewed revenue actuals year to date with Government advisors
- Provided subject matter expertise on revenue topics related to Best Interests analysis
- Provided guidance and subject matter expertise in translating fiscal plan content into implementation monitoring
- Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring support)
  - Provided overall guidance across all aspects related to restructuring topics and stakeholder engagement
  - Oversaw and reviewed updates to Best Interests analysis based on Certified Fiscal Plan
  - Participated in sessions with other FOMB advisors to review the appropriate implementation of assumptions in the Best Interests analysis
  - Reviewed and commented on various sections in draft of disclosure statement
  - Participated in meetings with FOMB and counsel to provide status update on Best Interests analysis
  - Reviewed responses and participated in discussion with regards to Fiscal Plan assumptions with certain creditor advisors
  - Participated in weekly FOMB Board calls regarding various topics
- Sara O'Rourke (Associate Partner – full time – Fiscal Plan and integrating engagement director)
  - Provided overall guidance and quality control on Board materials, briefing documents, and final product related to the Commonwealth Fiscal Plan
  - Provided overall guidance and quality control on Board materials and briefing documents related to Fiscal Plan translation to budget
  - Provided overall guidance and content control for responses to questions from the Government, creditors, and other stakeholders about Fiscal Plan
  - Provided expertise on translation of the Fiscal Plan updates into the FY20 Budget as well as updates to agency expenditures and measures based on new data provided in budget process
  - Provided strategic agency expenditure and fiscal expertise and oversight analysis for Fiscal Plan and budget to enable Board to finalize targets and spend priorities
  - Participated in select Executive Director and Board meetings related to Fiscal Plan and its translation to budget
- Todd Wintner (Associate Partner – part time – content director on healthcare and education)

- Oversaw work on all matters related to healthcare, including refining projections to incorporate understanding of federal funding streams and other auxiliary revenues (e.g., updates to federal fund accounts)
- Provided guidance and quality control on technical adjustments on healthcare federal funding streams
- Facilitated meetings between the working team and ASES and its advisors to better understand various fund sources
- Anne-Marie Frassica (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan)
  - Reviewed impact of agency budgetary adjustments on the 2019 Commonwealth Fiscal Plan
  - Supported EY in developing Fiscal Plan compliant FY20 budget for certification
  - Managed creation of Fiscal Plan document synthesis and participated in Fiscal Plan review sessions for new FOMB staff
  - Provided input to press and Congressional questions regarding the Fiscal Plan, as requested by FOMB staff
  - Managed working team responsible for Commonwealth Fiscal Plan
  - Managed update of the Fiscal Plan financial projections to reflect FY20 budget adjustments made to date
  - Evaluated impact of latest draft pension agreement on the Fiscal Plan
  - Evaluated Act 29 for Fiscal Plan compliance and assessed its potential impact on Commonwealth revenues
- Rafael Rivera (Engagement Manager – full time –focused on supporting the fiscal plan and restructuring processes)
  - Managed working team responsible for restructuring related topics and Best Interests analysis
  - Updated Best Interests analysis based on 2019 Fiscal Plan model
  - Participated in discussions with legal advisors and Board counsel with regards to legal assumptions and input for Best Interest Analysis
  - Prepared materials to brief the Executive Director on status of Best Interests analysis
  - Reviewed and commented on draft disclosure statement related to history and description of Fiscal Plan
- Laura Johnson (Associate – full time – focused on agency efficiencies and budget)
  - Provided Fiscal Plan inputs and analysis needed to explain budget changes from FY19 to FY20 as requested by EY and FOMB
  - Generated Puerto Rico civil servant compensation benchmarking analysis

- Analyzed Fiscal Plan impact of end-of-year Commonwealth agency reapportionment and SRF budget increase requests
- Updated agency efficiencies rightsizing model to reflect budgetary changes identified through the FY20 budget certification process
- Tanner Snider (Analyst – full time – focused on rightsizing and budget)
  - Provided Fiscal Plan agency efficiency inputs to EY in support of the budget certification process
  - Supported the development of a Puerto Rico civil servant compensation benchmarking analysis
  - Analyzed Fiscal Plan impact of end-of-year Commonwealth agency reapportionment and SRF budget increase requests
  - Updated agency efficiencies rightsizing model to reflect budgetary changes identified through the FY20 budget certification process
- Akshay Gupta (Analyst – full time – focused on DRF, macro, and revenues)
  - Participated in working sessions to prepare outreach to commonwealth and federal government agencies to request data and conversations related to updated actuals and projections for disaster relief funding
  - Analyzed preliminary end of fiscal year data for revenues, macroeconomic indicators, and disaster relief funding in coordination with Board macroeconomists Andy Wolfe and Ricardo Fuentes
  - Analyzed fiscal plans for PREPA, PRASA, and HTA to ensure that assumptions for disaster relief funding were compliant with the 2019 Commonwealth Fiscal Plan
- Erik Roberts (Analyst – full time – focused on restructuring activities and Fiscal Plan expenditures)
  - Aided in updating the Best Interests analysis based on 2019 Commonwealth Fiscal Plan model
  - Helped prepare materials to brief the Executive Director on status of Best Interests analysis
  - Facilitated working sessions with legal advisors to review legal assumption impacting the Best Interests analysis
  - Reviewed legal assumptions in Best Interests analysis for accuracy in model and outputs
  - Drafted preliminary output materials for the Best Interests analysis
  - Worked with ASES representatives to refine understanding of Medicaid funding streams
  - Met with other Board advisors to consider the effect of recent court decisions regarding municipal pensions contributions
- Michael Granados (Business Analyst – full time – focused on Fiscal Plan revenue forecasts)

- Analyzed variance between Fiscal Plan projected revenues and government reported revenues for Corporate Income Tax, Personal Income Tax, Sales and Use Tax, Motor Vehicle Tax and Act 154
- Prepared formal data request letter and template to request Hacienda data needed to update FY19 general fund revenues in the Fiscal Plan model
- Analyzed and refined value for CRIM property tax collections distributed for GO payment for FY17 and FY18

**EXHIBIT E**

***June 2019 Invoice***

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: USQ-0868BB-5853**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017  
Amendment Date: April 1, 2018

Invoice Date: 07/30/2019

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Net 30

### FFP Payment Schedule for Commonwealth Services

**Invoice PoP:** June 1, 2019 – June 30, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$	433,188.11
Gross invoice amount for services performed in Puerto Rico:	\$	1,386,354.78
<b>Subtotal</b>	<b>\$</b>	<b>1,819,542.89</b>
Less withholding tax deducted at source	\$	(402,042.89)
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>1,417,500.00</b>

**Total Invoice:** \$1,417,500.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:



If remitting by check please send check to:



Federal Tax ID#:

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact or